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London

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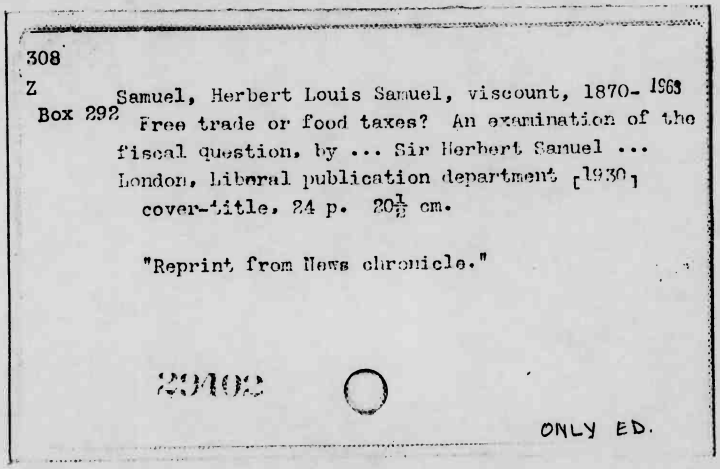

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FREE TRADE OR FOOD TAXES?

An Examination of the Fiscal Question

By
THE RIGHT HON.
SIR HERBERT SAMUEL, M.P.

308
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Box 292

Reprint from
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FREE TRADE OR FOOD TAXES?

LORD BEAVERBROOK'S GARDEN WALL.

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He is quite right to do so. That is where it should be laid. It is the Beaverbrook policy which the resolution supports.

Let me begin these articles, therefore, by discussing the Beaverbrook policy. And first let us try to understand, as best we can, what it is.

Some things are very clear. "We mean to put a tariff wall round the Empire," Lord Beaverbrook has said, "taxing all goods that come from outside."

There is no misunderstanding the meaning of that. "Whenever any man talks about Empire Free Trade," he has declared, "and says it may not be necessary to tax food, just dismiss him; he is either a fool or a liar." Nothing could be more terse or more plain. But afterwards some obscurities creep in.

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At a later stage he made it clear that he favoured "the retention of certain tariffs necessary to enable certain industries in Canada and in other Dominions to establish themselves." Nothing in his scheme, he said, would prevent Canada, for example, from "protecting her home market for her manufactures."

And he summed up the situation in a speech in North Norfolk, the other day—"We mean to build around this Empire a great garden wall. It is quite true that when we have built this garden wall there will be within it some smaller walls dividing one portion of the garden from another.

INTENTIONAL SECOND EXPOSURE

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That is, within the Empire, there will be more tariffs, more walls, more protective walls, that will sustain industry in one part of the Empire as against industry in other parts of it."

Is it "Empire Free Trade"?

These are, then, the proposals. There are to be new taxes levied on great quantities of goods that now come into Great Britain duty free from foreign countries.

The total value of those goods is close on seven hundred millions a year. On foreign foodstuffs, definitely, new duties are to be imposed. At the same time, the Dominions are to retain, with such modifications as may be agreed, their protective tariffs against British goods.

Now this policy may be right or wrong, useful on balance, or harmful. That is a matter of controversy. We shall examine it, point by point. But one thing is certain, and not open to controversy. **This is not Free Trade.** It is the very opposite of Free Trade.

A new thing this in our politics, that a movement should take a name which belies its own purposes! We are accustomed to parties which pursue, according to the lights that are in them, the objects which their titles proclaim.

Not so the "Empire Free Traders." They say one thing and they mean another. A tariff wall round the whole Empire; other walls between the parts of it; new duties imposed on hundreds of articles which now are duty free—if this is Free Trade, then black is white and white is black.

The first point which stands out clear and certain is this—Lord Beaverbrook's policy is not "Empire Free Trade." It is "Empire Protection," and it is high time we called it so.

What Lord Beaverbrook Forgets.

Now let us look at the actual facts with which we have to deal. The British Empire includes some 450 millions of people. It is well to remember that, of these, three out of four are Indians. It is the loss of 60 per cent. of our exports of cotton cloth to India which is the principal cause of the present disastrous depression in Lancashire.

Is the Beaverbrook policy likely to succeed in

recovering the Indian market for Lancashire? Is there any possibility of persuading the Bombay millowners to agree to the free entry of British cotton goods in return for a preference in the British market for the products of Indian agriculture?

I seldom find India mentioned in the speeches and articles of Lord Beaverbrook and his supporters. Yet she embraces three-fourths of the Empire's population.

The vast territories in tropical Africa, in Malaya and elsewhere are important markets. We sell great quantities of goods there. The new trade to be gained in that quarter by a system of preferences might be of value; but, at best, the capacity of those markets to absorb our manufactured goods can only slowly expand. Not there is the dominant factor in directing our policy.

The World our Market.

It is the Dominions which matter most. They buy from us far more in proportion to their population than any other countries, whether within the Empire or without.

Their purchases provide employment for vast numbers of our people.

They comprise immense areas; they have splendid climates; they enjoy the certainty of a brilliant future.

But as yet, including the Irish Free State, their total white population is only 22 millions. The population of the world outside the Empire is 1,400 millions.

There is the crux of the whole situation.

Let us cultivate to the utmost the trade with the 22 millions. Let the forthcoming Imperial Conference explore, define and recommend the many measures of mutual trade development which are practicable. There can be a trade policy of Empire apart from tariffs. Some of us in the House of Commons (on June 26th, 1930) suggested its outlines and urged its adoption.

But why, for the sake of increasing our trade with the 22 millions, should we set out to restrict and hinder our trade with the 1,400?

The whole world is now our market.

Our ships sail on every sea, carrying our goods to every port. Why depreciate, why reject this trade, as though it were of no account?

Facts the Food Taxers Ignore.

The Protectionists say that foreign countries surrounded by their own tariff walls, buy nothing from Great Britain. It is not true. They bought last year 400 million pounds' worth of our goods.

Great and valuable as is the Empire trade, the purchases of the foreign countries were 80 millions greater still. Germany bought more from us than Canada; Holland more than New Zealand; South America more than Australia; France practically as much as South Africa.

The resolution of the Protectionist bankers suggests—although it does not quite say so in terms—that our sales to foreign countries are dwindling. The contrary is the fact. Those sales have increased in the three years 1927 to 1929 from 382 millions to 405, or by 6 per cent. It is the exports to the Empire which show, unfortunately, a slight decline.

There is a further factor, not generally known, but of great significance. The trade between the British Empire and the world at large is three times as great as the trade within the Empire itself. (It is a recent report of the Imperial Economic Committee, an official body representative of all parts of the British Commonwealth, which states this remarkable fact.)

Forgetting 1,400 Millions of Buyers.

That some day our Empire could be made self-contained is conceivable. But how long will it be before it can draw into its own boundaries the three-quarters of its trade, which it now conducts with the world at large? And meanwhile, how much mischief will have been done to our great industries which live on their sales to the 1,400 millions of people in the foreign countries, how much injury to the employment of our workers, and to the prosperity of our shipping!

Bankers are not accustomed to look only at one side of the account. Let those who signed the manifesto in favour of Empire Protection count the losses as well as the gains.

TARIFFS RAISE PRICES.

THE bankers who approved the Protectionist resolution will not share the delusion that you can impose tariffs and not raise prices. They will not deny that systems of Protection increase the cost of living in the countries where they are applied.

It may be urged that it is worth while to do that. Regular work, it is said, may be more important than cheap living; it is better to have things dear and money to buy them with than cheap but out of reach. That is a point for discussion.

Will there be more employment under Empire Protection, or less?

It is a matter for argument. I shall go into it later. But what is not a matter for argument, what universal experience shows is certain, is that Protective tariffs raise prices above what they would otherwise be.

Is the Protectionist ready to tell the British farmer that when the "crusade" has at last reached its triumph, when taxes have been victoriously imposed on foreign foodstuffs, he, the farmer, will still get no more for his corn or his cattle than he gets to-day? Such a declaration would be received first with amazement and then with bitter indignation.

Let the news be broken to the Canadian wheat-grower or the Australian wool-grower that, while Lord Beaverbrook is determined to encourage their industries, the "encouragement" will not take the form of better prices, and they will ask what, then, is the use of the movement to them.

Let the British manufacturer who complains that he is being "undersold by the sweated labour of the Continent" be told that, when that competition is stopped, his prices are to be no higher than the prices of the foreign articles now, and he will ask in bewilderment what difference, then, the stoppage of foreign competition will make.

Of course Protection raises prices. It is expected to do so. It wins support for that very reason.

I know that in recent years the Protectionists have tried to meet the brunt of this criticism by

two arguments, which appear to some people to have substance. I must examine those arguments before I pass on to the conclusion.

Lord Beaverbrook says, for example, that the farmer here, or in the Dominions, will get more for his wheat, when foreign wheat is taxed, and yet the housewife will pay no more for her bread. He points to the wide difference that exists now between the price of wheat and the price of bread. Better organization and fewer middlemen's profits, he suggests, will allow the producer to get more, while the consumer pays the same.

Questions for Lord Beaverbrook.

But what is there in Protection which would bring this about? Imagine the whole process carried into effect "according to plan"—a general election, a Conservative majority, a Tariff Bill passed through Parliament, taxes levied at the ports on foreign corn and other articles—what possible bearing has that on combinations in the milling-trade, joint action of bakers to fix prices, the whole complicated system of purchase, manufacture, distribution and sale? The duty is paid at the port; the merchant charges it to the miller; the miller passes it on to the baker; at the end of the chain the consumer pays. If economies are possible in the intermediate processes, they are possible now, without tariffs. And tariffs will do nothing whatever to bring the economies.

The other plea is that if our industries were only made secure of their markets in this country they could reorganize themselves on modern lines; they could work their plants full time instead of part time; their costs of production would be lessened; and they would be able to make more profit for themselves and give more employment for their workpeople, while selling their goods no dearer, perhaps even cheaper, than now. It is often added that, after a short period of Protection has brought about this "rationalization," the duties can be removed and the industries will run happily on their own feet.

Lessons of "Safeguarding."

An attractive prospect. But is it likely to be realized? Experience is the best guide—in this as in all things.

A number of our industries have been protected for several years. We are told that they are the test by which we can judge the whole case. In which of these safeguarded industries has there been this concentration, reorganization, re-equipment, full-time working and, not least important, this readiness at the end to accept the repeal of the protective duties?

In lace? In pianos? In clocks and watches? In gloves? Even in motors?

Is there a single example, in any country of the world, of any one industry, which has been enabled by Protection to carry through this process, and which afterwards is ready to say: "Repeal your duties; they have done their work; we can sell as cheaply as our competitors; it is impossible for them, therefore, to capture our home market; we are ready to forgo the advantage you have given us"? And if there is no such instance, is it not time that this argument was dropped as a specious pretence?

Always "To be Continued."

When the system of Safeguarding was first begun in 1921, Mr. Baldwin was President of the Board of Trade. It was he who introduced the Bill. He limited its application to five years. That, he said in Parliament, "is a term of years which, after very careful consideration, we believe is long enough for those industries to prove that they can so solidify their position that they may be able to stand and flourish in free competition at the end of the period. . . . In specifying five years we have gone to the limit of what the industries may reasonably expect."

Nine years, not five, have passed since then. In a speech in Nottingham, on May 21st, 1930, Mr. Baldwin said that "he was sorry he had made a mistake. He admitted he had been wrong. A good deal longer might be necessary." And we may be quite certain that at the end of the further term, another extension, and then another, will be demanded as essential.

So far from ensuring rationalization, tariffs enable industries to get profits without it. Foreign competition is excluded. Prices become satisfactory. Why trouble with all these difficult questions of amalgamations? Why incur the expense of all these costly provisions of modernized plant?

Rationalization is one thing, Protection is another. Many industries are rationalizing themselves, now, in these very years, without Protection. Many industries, with Protection, are not moving an inch along that path.

There is no escape from the conclusion—**Tariffs raise prices.**

Applied to raw materials, as Lord Beaverbrook has definitely proposed, they are an indefensible handicap upon manufacture. Applied to foodstuffs, to clothing, to all the articles in household use, they inevitably raise the cost of living. America and Australia can tell us about that.

"A Monstrous Proposal."

And deliberately to raise the cost of living by Act of Parliament, in a country like this, where millions of people are living on the edge, and over the edge, of the direst poverty, is a monstrous proposal.

For the last half century the best efforts of the community have been directed to the attack on poverty. Parliament, local authorities, trade unions, friendly societies, a hundred agencies for social advancement, have been striving, not without success, to raise the condition of the people. Protection will push them down again. To increase prices by taxation would have precisely the same effect as passing a law to reduce wages. Some will gain, no doubt. Interested persons see the advantage to be won and are active to seize it. The people at large will lose. It is high time that, in their own defence, they became active, too.

LESS WORK FOR ALL.

I COME back to the contention that prices are not everything. "Unemployment is the problem to-day. We must fix our minds on that. If a penny on the loaf means 50 million pounds off the dole it may be a good bargain."

Yes. But will it? Protection undoubtedly may bring some people into work, for a time, in selected industries. But how many other people will it throw out of work in other industries?

A shipbuilder on the Tyne, for example, may have bought cheap steel plates from Belgium. Those plates, it is said, might be made in England. If they were, more workers would be employed in our rolling-mills. Quite true.

But carry the matter a little further. Why did the shipbuilder buy them from Belgium? Obviously because of the fact that they were cheaper. If the English ones were as cheap for the same quality he would have bought them. Shut out the Belgian plates as the Protectionists propose, and, if he bought any plates at all, he would buy British at a higher cost. It would be so much the more expensive for him to build his ships. Great Britain now builds half the ships of the world. But the Tyne shipbuilder has to compete very keenly in these days to get orders. If his ships are more costly to build he will lose orders which he now just manages to secure.

Net Result More Unemployment.

Suppose that happens—as it undoubtedly must happen if British steel plates were dearer than Belgian—and what would be the effect on unemployment? Fewer ships being built will mean that men who are to-day working in the shipyards will be thrown out. And no more men will be brought into the rolling-mills after all, for the shipbuilder will have no new orders for steel plates to give.

The net result of this Protectionist measure would be to swell still further the tragic list of the unemployed.

It is the same with foreign yarns for our textile

mills, foreign leather for our boot factories, specialized foreign machinery for a hundred different industries.

This country sends abroad every year nearly 600 million pounds' worth of manufactured goods. The making of them gives employment to vast numbers of our working people. The manufacturers of those goods must not be hindered in getting their materials, their machinery, everything that they need, wherever they can get it best and cheapest. They do not buy goods from abroad without a reason. Hinder them in their purchases; make it dearer for them to produce, and we lose to our competitors orders from abroad; there will be fewer things to be made here; there will be more unemployed and not less.

How to Meet the Situation.

I have called the Protectionist creed a policy of "defeatism." It is a policy which admits that our manufacturers are beaten by their competitors—here in our home markets. Of course, it is the fact that—because of price, or of quality, or of design—whatever the cause may be—certain kinds of foreign goods are bought here instead of British goods.

There are two ways of meeting that situation. One is the way that has always been adopted in the past—bring your industries up to date; see where the superiority of the foreigner lies and imitate it; get rid of antiquated restrictions on methods of production; show enterprise in marketing.

That is one way. That is the Free Trade way.

The other is to say: "We are done; we cannot compete; we must insist that Parliament shall put duties on the foreign goods and shut them out."

That is the Protectionist—the defeatist way.

But mark the consequence. The same manufacturers, making similar goods, are faced by the same foreign competitors in all the markets of the world. If we cannot compete on equal terms here—at our own doors—how can we hope to compete anywhere else? Encourage our manufacturers to rely on tariffs at home, induce them to trust to the protection of Parliament instead of to their own efficiency, and you strike a fatal blow at the export trade which is indispensable to the prosperity of the nation.

Beaten here, we are beaten everywhere.

Remarkable is the rapidity with which "safeguarding" has affected the exports of the trades subjected to it. We are told that they supply the test. Let us see what the test reveals.

Motors, Silks and Gramophones.

Three new, rapidly expanding industries show a development, in this country as elsewhere, in all their branches, in home consumption and in exports. They are motors, gramophones and artificial silk. They are protected; but if they had not been, they would certainly have expanded in order to supply the new demand; just as electrical machinery or the manufacture of wireless apparatus, which are not protected, have expanded in recent years. But what of the rest, the older trades, which are safeguarded?

The figures published by the Board of Trade show that, in the last five years, since safeguarding was applied, the exports of British produce in lace are down by £445,000; of natural silk by £166,000; of musical instruments (apart from gramophones) by £195,000; of cinema films by £118,000. Clocks and watches, fabric gloves, wrapping-paper, translucent pottery, buttons and studs, all show decreases of varying amounts. Exceptions are leather gloves, cutlery and enamelled hollow-ware, which show small increases, the three together amounting to £154,000. But the general trend is unmistakable.

Facts for the Housewife.

And now as to the home trade. Protection must make living dearer. That has an effect on employment.

An answer given by the Minister of Labour to a question of mine on June 26th, stated that the cost of living had fallen in this country by 10 per cent. in the last five years. The ordinary housewife may not fully realize it. But it is the fact, nevertheless. Where she spent a pound five years ago, she spends 18s. now. She has 2s. to spend on something else. That 2s. helps to give new work to someone, somewhere.

Suppose the process is reversed. Protection comes in. The cost of living goes up again. The housewife has to use that 2s. to meet the increase

in the price of the things she usually buys. She cannot spend it on those other things she has recently been buying. That means less work for someone somewhere.

Add together the total of that 10 per cent. on all the weekly purchases of the whole nation. Consider the shrinkage in demand for goods that that would mean, and you have some measure of the loss of employment involved by an increase in the cost of living.

Here, then, is the conclusion to be drawn:

Protection, by raising the cost of production, would lose orders for our manufacturers abroad, and so would throw people out of work.

Protection, by enabling manufacturers to earn profits in the home market in spite of inefficiency, would rob industry of the stimulus which is essential if it is to compete successfully in the markets of the world. For this reason also Protection would cause exports to shrink, and would throw people out of work.

Protection, finally, by raising the prices of things which people **must** buy, would leave them less money to spend on other things that they would like to buy, and are now buying. It would lessen the volume of demand and would throw people out of work.

And yet it is offered as a cure for unemployment!

THE OTHER COUNTRIES.

THE Protectionists tell us that Britain is a poor, defenceless Free Trade lamb in a world of Protectionist wolves. Every other country, they say, has abandoned Free Trade; is it likely that we alone are right?

This last statement is not quite true. There are two countries in Europe which maintain Free Trade in principle, and observe it almost completely in practice; small countries, yet by no means insignificant—Holland and Denmark. And these two countries attain a remarkably high standard of comfort among their peoples.

But it is true, of course, that most other countries are Protectionist. What conclusion is to be drawn from that?

If the argument were—other countries are Protectionist; they are more prosperous than we are; therefore we should adopt their system—that is a proposition which would carry much weight. But as the argument would have to be —other countries are Protectionist; they are **less** prosperous than we are; therefore we should adopt their system—it does not appear to be very convincing.

No Protection Against Unemployment.

Mr. Baldwin is never tired of telling us in his speeches that the German working man has only two-thirds the income of the British working man, and the Frenchman little more than half.

As to unemployment, what answer is there to the fact that in Protected Germany there were over three millions unemployed in the earlier part of this year—on June 15 still 2,600,000? And that in the Protected United States there have been this year—though there are no official figures—many more than that?

Constant attempts are made to persuade us that the only way to increase our exports abroad is to adopt Protection at home. We are told that, with the domestic markets secured, our industries can so organize their production that they will capture the world markets as well. These other countries

have adopted that theory ; but has it brought that result ?

Exports of Big Four.

I asked a question in Parliament on July 8th, as to the value of the manufactured goods exported last year by the four principal industrial countries of the world, in proportion to their populations.

The answer given by the President of the Board of Trade showed that :

The export of the protected American amounted to £5 10s. 5d. ;
Of the protected Frenchman to £6 3s. 2d. ;
Of the protected German to £7 10s. 6d. ; and
Of the Free Trade Englishman to £12 15s. 1d.

And if it is said that that would be very comforting if it were not that our lead was disappearing year by year, and that our competitors would soon overhaul and surpass us, the reply is very simple.

That statement is not true. The opposite is true.

I would refer the inquirer to another answer given by the President of the Board of Trade on July 25th, 1929, to a question by that energetic Protectionist, Sir Henry Page Croft.

Britain's Lead Increasing.

It was there shown that the increase in exports of manufactured goods per head of population between 1880 and 1928 (the years chosen by Sir Henry) had been larger in this country than in any of the other three. The figures for 1929 show that our lead increased still further last year.

True that the standard of living in the United States is higher than here. But we must compare like with like.

A vast area of land in proportion to population ; immense natural resources ; the largest single market of any industrial country in the world —those are factors more important than any tariff system, whatever it might be.

Why France Has No Unemployment.

It is true also that France has at the present time no unemployment problem. But here again

the area of the country is large in proportion to the population.

By the depreciation of her currency, France, like all the other Continental countries which took part in the war, has relieved her Government and her industries of their debts, in her case to the extent of four-fifths. Where a pound was owed, four shillings is being paid.

At the same time, France has received from Germany great sums of reparation money which, in the main, have been wisely spent in the reconstruction of mines and other industries and in fruitful works of national development.

If the conditions here were the same we should have no unemployment problem either.

But in the main, taking a large view, and comparing like with like, the conclusion stands out clear and definite. Whether you judge by the amount of trade, or by the volume of shipping, or by the national wealth, or, most important of all, by the level of comfort of the people, Free Trade Britain has attained a far higher standard than any Protectionist country in Europe. That cannot be disputed.

In these circumstances, what can we think of the intelligence of those who say—" the other countries have abandoned Free Trade, how can we be right to retain it ? "

Cheap Labour—Dear Production.

Trade Unionists are asked, however, whether they can defend a system which allows foreign goods, made by labour paid less wages than their own, to enter into free competition with the goods they make themselves. But no Trade Unionist will agree that cheap labour means cheap production. There is ample evidence to the contrary.

The chairman of the Ford Motor Company in Great Britain, for example, stated in an address last March that the company had factories all over Europe, doing the same work under the same conditions ; he gave facts to show that where the wage scale was lowest the cost of production was highest, and vice versa.

And if it is true that we ought to shut out goods which are produced under inferior conditions, are we not to let in goods which are produced under

better conditions? But when it is a question of American motor-cars, produced by labour paid more than ours, the Protectionists abandon their case, shift their ground, and protest vehemently that it is just as necessary to shut out American motors as Belgian iron!

Lastly, if this principle is to hold, what becomes of the policy of so-called "Empire Free Trade"? Is not Indian wheat grown under labour conditions very inferior to those which prevail on British farms? And West Indian sugar produced by cheaper labour than Queensland, or than British, sugar? Are we to tax them for that reason? If not, why not?

The Protectionist case is very plausible. It appears to many people so obviously right that they cannot understand how others, who seem to be fairly intelligent as a rule, can possibly reject it.

Let them examine the case more closely, and they will begin to have doubts. Let them probe it more closely still, and it will be seen to be a mass of fallacies, whose only redeeming feature is that they contradict and neutralize one another.

"Protection," it was said long ago, "is a good starter but a bad stayer." The saying is as true now as ever.

"RETALIATION" FOLLY.

WITHIN the length of articles such as these it is not possible to discuss all the points in this vast controversy. I can deal with only one other before, in a final article, I draw the conclusion.

It is attractive to say: "Foreign countries hit our trade; why should we not hit theirs? The present system is not 'free trade,' but 'free imports.' Let us deny them our markets until they admit us to their markets."

There is no reason whatever why we should not adopt this policy, subject to one obvious condition—that it would be to our advantage to do so. Would it bring the result that is desired? Would it assist our trade more than it would injure it? Those are the points to be examined.

Here, again, let us take experience as our guide. It is true that, viewing the world as a whole, tariffs have been rising higher and higher. Britain has no weapon of retaliation to fight this increase. But all the Protectionist countries have that weapon. If it were any real use they would have employed it to stop the increases, so far as they affected them.

Yet tariffs have risen higher and higher, and the exports of Protectionist countries have been injured in the same way as the exports from Free Trade Britain.

There was a great Committee of Inquiry into British Trade and Industry, under the chairmanship of Sir Arthur Balfour, which sat for four years and examined into all these matters. On this point it reported that, "broadly speaking and with relatively insignificant exceptions, British goods are admitted into foreign countries on terms at least as favourable as those applicable to similar goods imported from other foreign sources."

The Protectionist countries, with this weapon of retaliation in their hands, have found it useless as a means of stopping the increases in each other's tariffs. They have not been able to get better terms in each other's markets than we have got. Why should it be assumed that, if we adopt a

similar policy to theirs, we shall get different results?

Mr. Baldwin, who is now the chief advocate of this particular article in the Protectionist creed, always assumes, as though it needed no proof, that Britain would only have to impose, or perhaps merely to threaten, duties on the goods that come here from any foreign country to be able to secure an immediate reduction in that country's tariffs on our own goods. But it needs a great deal of proof.

What the Foreigner Might Say.

Suppose Mr. Baldwin is returned to power. He approaches France, for example, and says: "We are going to tax a variety of French imports into this country unless you lower the duties on British goods that seek to enter France." He expects the French Government straightway to agree.

But suppose the French Government were to reply, with all courtesy: "We are very sorry, but our Parliament is not likely to consent to a free, or even an easier, competition of British goods with our own. We accept the same principle that you now accept yourselves, and believe in keeping our home markets, so far as possible, for our own producers.

"Besides, we have made agreements with many other countries, binding us not to treat any one of them worse than we treat any other country, so that if we lowered the tariff on your goods we should have to lower it also on theirs, and that would upset our system altogether.

"With the greatest regret, therefore, we cannot meet your wishes. And incidentally, we notice that in spite of our tariffs, you are selling to us every year about 25 million pounds' worth of goods, with another six millions to our colonies. Of course, if you—not we—terminate the commercial agreement which regulates our dealings with one another, and if you put new duties on our goods, you will not take it amiss if we put new duties on your goods, and keep them on so long as the 'tariff war,' which you will have begun, happens to last."

Apparently, Mr. Baldwin would be greatly surprised. That would not be at all what he had intended. Yet there is every reason to expect it,

for this is precisely what has happened, almost invariably, whenever any one country tries to compel any other, by retaliatory measures, to change the fiscal policy which it has deliberately adopted.

It is not on my own authority that I draw this conclusion from the past and make this forecast as to the future. I do so on the authority of the Balfour Committee. They say, in their final report (page 17), that it has been "conclusively shown" that the tariff bargaining process between the Continental countries "cannot in the long run lead, and as a matter of historical fact has not led, to a reduction of the general level of tariffs. The tendency is in the opposite direction."

They point out that as soon as the bargaining begins, "as a preliminary step **tariff rates are raised.**" "The final result of the whole process is more often than not a rise instead of a fall of tariff level." They strongly condemn any system of imposing duties here in order to secure reduction of duties elsewhere. **"Foreign countries,"** they say, **"would certainly anticipate them by preparing special bargaining rates,** and all the evils of Continental tariff bargaining would begin to appear."

Mr. Baldwin has said that Free Trade leaves us armed only with bows and arrows. The weapon he would use is a boomerang, and of a particularly dangerous type. We should have to be nimble indeed to avoid its return.

A period of retaliation, of re-retaliation, of tariff wars, would upset trade. It would expose it to constant "interference by politicians"—the thing that Mr. Baldwin on other occasions most condemns. It would therefore involve serious commercial losses. At the end it would be likely to leave the position no better, and perhaps worse, than before.

It would be interesting also to have Lord Beaverbrook's observations on this part of the Baldwin scheme. "Empire Free Trade," or, as I prefer to call it, Empire Protection, assumes not a momentary, but a permanent arrangement between Britain and the Empire countries—subject to alteration in details, no doubt, from time to time, but stable in its main features.

It is to be a well-built, solid, enduring "garden wall," giving permanent protection for home and

Empire produce against foreign produce. But Mr. Baldwin's policy, if it were by any chance to succeed—and we must assume that its authors imagine that it will succeed—would involve merely a threat of duties, or the imposition of duties only temporarily, until the purpose was served and a bargain was made.

Not the Same Thing.

The question, then, is this—Is Mr. Baldwin's tariff to be merely an extra screen erected on the top of Lord Beaverbrook's garden wall—to be put up, taken off, and put on again according to the behaviour of our neighbours? In that case what becomes of Mr. Baldwin's claim that what he is aiming at is Free Trade all round, to replace the one-sided Free Trade that we have now? If he believes in the permanent wall he is doing nothing of the kind.

Or is it to be in substitution for Lord Beaverbrook's wall? A means only of forcing the foreigners to take down their walls? And if they do so, what becomes of the whole of the Beaverbrook scheme?

It is only the confusion of thought which reigns in the Protectionist camp, and which results in the production of some fresh policy every few months, which renders it possible for anyone to suppose that the Beaverbrook plan and the Baldwin plan are two aspects of the same thing. Their aims, their means, are opposite to one another. They are mutually incompatible. They are alike only in this—in the disturbance each would cause to our commerce, in the injury they would do to our export trades, in the lowering they would gradually effect in the standard of comfort of our people.

PANIC AND PROTECTION.

THE figures of unemployment are so high, the position of some—though by no means all—of our great industries is so difficult, that everyone is saying "something must be done." And many people appear to be thinking —"something must be done. Protection, Safeguarding, Retaliation, are Something. Therefore one or all of these must be done."

But are we not to consider whether the result of adopting any or all of those policies is likely to be helpful or to be harmful? Are we, in a panic, to rush headlong down a steep place, even though it is into the sea?

Our Protectionist opponents are never tired of saying that Free Traders are merely mumbling the shibboleths of a creed outworn.

"Cobden himself," they say, "hoped for universal Free Trade; he would have abandoned it here as soon as it became plain that it would not be imitated elsewhere. Out of an obstinate—and mistaken—loyalty to his memory Free Traders are blocking the road to changes obviously needed by the conditions of our time."

I doubt whether Cobden ever said that if other countries did not adopt Free Trade, Britain should abandon it. No Protectionist speech that I have heard or book that I have read has given any such quotation. But in any case the point is of no importance. It is only the Protectionists who hark back to Cobden. We have deep respect for Cobden's memory and gratitude for his work, but what we have to deal with are the facts of to-day.

The notion that we base our case upon any form of "fiscal orthodoxy" or "Cobdenite tradition" is a mere figment.

Tried and Found Wanting.

But what we do say is that in Cobden's time Protection had been tried and found wanting. Almost all the theories which are now advanced as though they were new discoveries—keeping home markets for the home producers, maintaining the area of arable land by taxes on foreign corn, forcing other countries to take off their duties

on our goods by taxing theirs—all these had been tried, had failed, had been found to do more harm than good. We are reminded that Cobden is dead. It is well to remember that his predecessors are still more dead.

Conditions to-day are different, no doubt, from what they were in the last century, or even in the period, which often seems so strangely remote, before the Great War; although they are not so different, perhaps, as is sometimes alleged.

For example, there is a widespread belief that the British steel industry is much diminished now compared with what it was then. I find, however, from the latest issue of that invaluable official collection of facts and figures, the Statistical Abstract, that the British production of steel was 8,520,000 tons in 1928, as against 7,664,000 in 1913, or 11 per cent. greater.

Our shipbuilding is generally considered to be a depressed industry. Yet its output in 1928 was 20,420,000 tons, the highest total ever reached, an advance, though only a small one—4 per cent.—on the best pre-war figure.

More Hard Facts.

The "Times" wrote in its City Notes recently that "foreign cotton goods now invade this market in competition with Lancashire, which once had a monopoly, at any rate of the domestic market." The Statistical Abstract tells quite a different story. The importation of foreign cotton cloth into this country is not much more than half what it was before the war—73,000,000 linear yards in 1928, as compared with 125,000,000 in 1913. The total production of Lancashire is known to be over 4,500,000,000 yards. For every one yard of foreign cottons that we import we manufacture more than 60.

Yet this shrunken and trivial importation of a few specialized articles is given as typical of the new conditions which imperatively command a fundamental change of policy!

Nevertheless, there are undoubtedly many differences in the conditions to-day. The immense development of the British Empire is the chief of them. But what the Protectionists have not shown is that those differences would make it an advantage to the people of this country to put

taxes on the food-stuffs, the raw materials, the unfinished articles, the manufactured goods, which we buy from other countries.

"We are sick. Medicines cure sick people. Protection is a medicine. Therefore, if we take it we shall be cured"—that is another way of expressing the strange logic of Protectionist thought; all the more strange when everyone knows that other people, who have been taking the same medicine for years, are just as sick as we are.

If I am asked: "What other medicine, then, do you yourself prescribe?" I would answer that only a quack would suggest that there is any one drug which would cure straightway a complication of disorders, arising from a dozen quite different causes.

Try the Right Remedies.

I would add that some of us spent many months upon a careful analysis of the whole situation and the formulation of definite proposals for dealing with it. The result was published as a volume with the title "Britain's Industrial Future"; it is more generally known as "The Yellow Book." Further, in a debate which we initiated in the House of Commons on June 26th, we made more specific the measures that had been outlined in that volume to promote the mutual expansion of Empire trade. The whole forms a large and comprehensive policy of reorganization and development—industrial, agricultural and Imperial.

If people say to me, "We do not know what your proposals are," I can only answer, "That is not because we have not stated them; it is because you have not taken the trouble to apprehend them." Inquirers must be referred to these sources, for the policy is far too large even to be summarized at the end of a series of articles devoted to a specific subject—the Protectionist campaign, with special reference to the resolution issued by a group of bankers.

Let me end by saying that there are certain things on which bankers may advise politicians with authority and other things which politicians understand better than bankers.

One of these is the social effect of deliberately raising the price of food, by Act of Parliament, against the people. The notion that such a

policy can be of service to the cause of Empire unity is absurd.

The second is the political effect in India, in the other Asiatic territories of the Empire, and in the vast dependencies in Africa and elsewhere, of adopting a scheme which will confine their trade to Great Britain. Such a scheme cannot fail to give to the native populations—now intelligently led by keen, educated observers—the very definite impression that they are being kept as preserved markets for British manufacturers; that they are no longer free to go where they will for the things that they need; that the country which has claimed to govern them for their good now governs them for its own profit. It is for the sake of the contentedness, the mutual loyalty, the lasting union of the British Commonwealth of Nations that this scheme must be fought.

"A Pitiful Delusion."

And the last point is this. Politicians know better than bankers the strength of political forces. Some people fondly imagine that, when once you begin protecting industries, you can draw the line where economic science, guided by calm reason, would suggest. A pitiful delusion!

In the hurly-burly of democratic politics, economists, bankers, will be swept aside. Where fortunes are to be made through raising prices by means of tariffs, no influence will be left unused to achieve it. Newspapers, under personal control, using their vast circulations to sway opinion; organized pressure to secure the votes of great bodies of workpeople; groups of interested electors in particular constituencies, insisting that candidates, on pain of defeat, shall support a tariff on the commodities with which they are concerned; "My trade my politics" the dominant cry in every industrial and agricultural constituency—that is the prospect we have to face.

When we are asked: "Why are you so rigid? Why will you not concede a little, here and there?" the answer is: Because in matters of Protective tariffs when you concede anything you concede everything. You unlock the door in order to open it a little way. The crowd outside bursts it open wide. That has been the history, that has been the experience, in every other country. **We will not have it here.**

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